



# RESPONSIBLE INVESTMENT FRAMEWORK

1 AUGUST 2022

ANZ Investments' approach to responsible investment is a core component in the way we research, select and manage investments. We believe that these factors are some of the drivers of long-term investment risks and returns.

This framework sets out our approach to responsible investment and how we apply it to our investment activities. It also sets out how we monitor and report on our approach, to help us achieve our responsible investment goals.

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## OUR APPROACH TO RESPONSIBLE INVESTING

We believe that environmental, social and governance (ESG) factors are important drivers of long-term investment risks and returns.

The three core components of this approach are exclusions, ESG integration, and stewardship:



Firstly, we exclude some companies and industries based on their involvement in areas of harm, or for breaching global norms.



For the companies we invest in or are looking to invest in, we integrate ESG considerations into our evaluation of a company.



For the companies we invest in, we demonstrate our stewardship through engagement and proxy voting.

Details on these three core components are outlined further in this framework.

## EXCLUSIONS

We currently exclude companies involved in the following harmful activities:



### Controversial weapons

Companies that manufacture (including components or support systems) controversial weapons, including cluster munitions, anti-personnel mines, biological/chemical weapons or nuclear weapons.



### Civilian firearms

Companies that manufacture automatic or semi-automatic firearms, magazines and parts for civilian use.



### Tobacco

Manufacturers of tobacco products.



### Whaling

Companies involved in whaling and whale meat processing.

We also won't invest in companies that earn material revenues from the following activities:



### Conventional weapons

Companies that generate more than 5% of their revenue from any other weapons related business activities.



### Unconventional oil and gas

Companies that generate more than 10% of their revenue from the extraction of unconventional oil and gas. This includes revenues from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, coal bed methane.



### Thermal coal

Companies that generate more than 10% of their revenue from thermal coal mining.



### Adult entertainment

Companies that generate more than 5% of their revenue from adult entertainment.

We may change the list of exclusions from time to time. See the [most recent list of exclusions](#).

We regularly review our investments and prospective investments against our financial and ESG criteria. Companies or industries that have any ESG issues are subject to further review. These reviews cover both existing and prospective investments and consider some or all of the following:

- global best practice
- our view on the expectations of our investors or clients
- the impact of an exclusion on returns
- the severity of any ESG related breaches or actions, or
- the likely success of an alternative course of action (for example, engagement).

Depending on the results of our review, we might continue to hold, review on a periodic basis, divest, or exclude the company or industry as an investment.

We have also excluded some entities, across a range of industries that have breached global norms or standards to a severe degree.

### Monitoring, reporting and compliance

Both our internal team and our external fund managers are provided with the excluded list of securities that they are not able to invest in. See the [list of entities that we exclude](#).

We monitor all portfolio holdings through reporting to ensure that there are no breaches of our exclusions framework. If a security that has been excluded is identified in the portfolio holdings, the security will be divested within a period of 90 days.

Our products are excluded from dealing with, and are not permitted to invest directly or indirectly in, any jurisdiction, sector or person subject to ANZ's sanction policy. See more [information about the ANZ Sanctions Policy](#).

## ESG INTEGRATION

Our approach to responsible investment is based on integrating both financial and non-financial factors in the way we research, select and manage investments.

Traditional investment approaches focus mainly on financial criteria such as balance sheet strength and future earnings forecasts. ANZ Investments has a wider perspective which also takes ESG factors into account.

These may include:



**Environmental** factors like climate change, greenhouse gas emissions, pollution and renewable technologies.



**Social** factors such as human rights, impact on local communities and employee health, safety and diversity.



**Governance** factors including ethical standards, transparency, compensation and voting.

As part of our investment management approach, we believe it is important to consider these factors and the risks and opportunities they present. If a company fails to meet customer, stakeholder and community expectations on any of these factors, they may lose their 'social license to operate'. This may have an impact on the long term success of the company, and may affect their investment returns.

## Climate change

Many companies have particular environmental risks and opportunities investors need to be aware of. We believe climate change is a key area and will impact all companies so we've developed a targeted climate approach as part of our investment framework. Climate change can be a material risk to investment returns, but while considering the risks, we also look for the opportunities that the transition to a low carbon world will create.

The risks around climate change are usually classified as either physical or transitional:

- **Physical risks:** The impact on a company's fixed assets from the greater regularity and severity of weather events.
- **Transition risks:** Include higher carbon pricing, regulation of emissions, pricing of assets and development of new technologies.

Our approach to climate change is based on integrating the analysis of these physical and transition risks when we research, select and manage investments.

To do this we measure exposure to key risk factors, for instance carbon footprint and fossil fuel reserves, or a company's management's strategy and competence in addressing any material risks.

An important part of our climate change framework is to actively reduce exposure to companies and/or industries with high carbon footprints and business models that are not viable in the long-term. We exclude companies that generate more than 10% of their revenue from the extraction of unconventional oil and gas or thermal coal. See the exclusions section of the framework for more detail.

The risks of climate change also influence our longer term investment strategy through our Strategic Asset Allocation process.



## STEWARDSHIP

The two key components of our stewardship approach are engagement and proxy voting.



### Engagement

We actively engage with a number of companies we invest in on ESG and other issues. This improves our understanding of risks and opportunities a company faces, and allows us to factor this into our investment rationale which will better inform decision making over the long-term. The benefits of engagement include:

- Input into company direction with a view to improving performance over the long-term
- Increasing our awareness of ESG issues a company may face
- Providing feedback and guidance on ESG initiatives that a company may be undertaking

Engagement with companies is undertaken by ANZ Investments personnel who manage our domestic equity and fixed income portfolios and by external managers we have appointed to manage our international equity, property, listed infrastructure and fixed income portfolios.

Engagement can include, but is not limited to;

- meetings with the company board
- meetings with senior management
- meetings with other key stakeholders

### Identification and prioritisation of engagement

Companies are identified as targets for engagement based on ESG factors that may represent a material risk or opportunity for the company and are not being addressed. Resources dedicated to engagement efforts are prioritised based on the ESG issue's materiality and the level of exposure within portfolios.



### Proxy voting

Voting on company and shareholder resolutions is another way to demonstrate ANZ Investments' active approach to investing and have an input into ESG and other strategies. We vote on company matters in line with our investment beliefs, and our responsible investment framework. This provides us another way to influence decisions that impact the companies that we invest in.

### Internally managed

For investments managed internally, voting is undertaken by the domestic equities team with support from Institutional Shareholder Services (ISS) as a proxy voting service provider.

### Externally managed

For investments managed externally, the voting is conducted by the external managers who are given discretion to vote on our behalf. They may also utilise proxy voting services such as ISS and Glass Lewis to support their voting activities.

## PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

*Signatory of:*



Principles for Responsible Investment is a United Nations-supported international network of investors working together to implement its six aspirational principles. ANZ Investments has been a signatory to the PRI since early 2018 and part of being a signatory is the requirement to meet the requirements of the PRI Reporting Framework. This includes a report prepared annually on our processes related to responsible investment.

The principles include:

1. Incorporating ESG issues into investment analysis and decision making processes
2. Being active owners and incorporating ESG issues into our ownership policies and practices
3. Seeking appropriate disclosure on ESG issues by the entities in which we invest
4. Promoting acceptance and implementation of the principles within the investment industry
5. Working together with other signatories to enhance our effectiveness in implementing the principles
6. Reporting on our activities and progress towards implementing the principles

You can view the ANZ Investments Public Transparency Report from PRI at the link below:

[PRI Public Transparency Report](#)



## DISCLOSURE AND TRANSPARENCY

The following information is available for all our stakeholders to assess how our responsible investment approach is working in practice. These can be found on the ANZ website:

- ANZ Investments Responsible Investment Framework
- List of portfolio holdings
- Exclusions list of companies and the rationale for excluding them

### Scope

This responsible investment framework applies to ANZ Investments' managed investment schemes, wholesale mandates, superannuation schemes and wholesale schemes, the ANZ Private Wholesale Investment Service and ANZ Bank New Zealand Limited's Discretionary Investment Management Service.

Where our funds are managed by external fund managers, we have a contractual relationship with those managers that enables us to set the investment mandate and work with them in the implementation of our responsible

investing framework. We also consider the responsible investment capability and resources of external fund managers in our appointment and on going review of those managers.

We may buy units in collective investment vehicles (such as exchange traded funds (ETF) or unit trusts) that invest in a number of companies. Because we would not be able to apply our responsible investment framework (including exclusions, ESG integration or stewardship) across these companies, we would factor this into any decision to buy or sell this type of investment. This would include assessing the extent to which the vehicle invested in companies that are on our exclusions list.

Derivative based instruments (such as a futures contract) give efficient exposure to companies through long or short positions, and our funds may have economic exposure to entities that are on our exclusions list. Because the funds do not own the underlying companies in a derivative, we are unable to apply our responsible investment approach (including exclusions, ESG integration or stewardship) across derivative based instruments.

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### Disclaimer

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ANZ New Zealand Investments Limited is the issuer and manager of the OneAnswer KiwiSaver Scheme, the OneAnswer Multi-Asset-Class Funds and the OneAnswer Single-Asset-Class Funds. Download the [guide and product disclosure statement](#).

ANZ New Zealand Investments Limited is the issuer and manager of the ANZ Default KiwiSaver Scheme. The scheme is no longer a default scheme and is closed to new members. Important information about the ANZ Default KiwiSaver Scheme is available at [anz.co.nz/kiwisaverforms](http://anz.co.nz/kiwisaverforms) and by searching 'ANZ Default KiwiSaver Scheme' on the offer register at [disclose-register.companiesoffice.govt.nz](http://disclose-register.companiesoffice.govt.nz).

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